

**REPORT ON AUDIT  
OF  
PHOENIX AREA OFFICE, PHOENIX, ARIZONA  
BUREAU OF INDIAN AFFAIRS  
DEPARTMENT OF THE INTERIOR  
FOR THE FISCAL YEAR ENDED JUNE 30, 1955**

**UNITED STATES GENERAL ACCOUNTING OFFICE  
DIVISION OF AUDITS**

**TO THE READER:**

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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON 25, D. C.

MAR 21 1956

DIVISION OF AUDITS

B-118601

Mr. Glenn L. Emmons  
Commissioner of Indian Affairs  
Department of the Interior

Dear Mr. Emmons:

Herewith is our report on the audit of the Phoenix, Arizona, Area Office, Bureau of Indian Affairs, for fiscal year 1955. During the audit we reviewed selected phases of the organization, procedures, and operations at the locations visited and gave particular attention to the deficiencies reported as a result of our audit for fiscal year 1954. We have given consideration to the area office's corrective actions with respect to our report for 1954.


As indicated by the number and character of the deficiencies on which we are reporting, our audit has disclosed a number of failures in the area office to comply with stated policies and procedures of the Bureau included in the Code of Federal Regulations and the Indian Affairs Manual. Many of these deficiencies would have been disclosed by a vigorous program of administrative inspection and internal audit. Such a program would afford the Bureau an opportunity to take early corrective action based on its own findings. We noted in a number of cases that recommendations made in our previous audit report had been accepted and corrective action had been taken or initiated at the locations specifically mentioned; however, in some cases we noted a failure to apply the recommendation to other locations, not specifically stated, at which the finding was also applicable.

We wish to acknowledge the cooperation given to our representatives at each of the locations in the area visited by us. Our findings have been reviewed with responsible area officials during the audit. The Area Director and appropriate agency superintendents have been advised in writing of most of the findings reported herewith; we have been informed that in many instances corrective action has been or will be taken. We will be happy to discuss these comments in greater detail with you or members of your organization.

B-118601

Your comments and advice as to action taken on the matters presented in this report will be appreciated.

Sincerely yours,

  
E. H. Morse, Jr.  
Director of Audits

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FOR THE FISCAL YEAR ENDED JUNE 30, 1955

IRRIGATION

1. Collections on deferred irrigation assessments  
used improperly for expenditures

In our report for fiscal year 1953 (item 22, p. 21) we pointed out that irrigation projects under the jurisdiction of the Phoenix Area Office made no reimbursement to the United States Treasury for collections of deferred operation and maintenance assessments that had been financed by reimbursable appropriations. During fiscal year 1954 the San Carlos Project was the only one in the Phoenix Area to deposit funds into miscellaneous receipt account No. 143558, Recoveries on Account of Reimbursable Maintenance Charges.

Our audit of fiscal year 1955 transactions disclosed that the Uintah, Colorado River, Chuichu, and San Xavier Irrigation Projects did not deposit into the United States Treasury, as miscellaneous receipts, the collections of deferred operation and maintenance assessments that have been financed by reimbursable appropriations.

Collections of assessments in arrears on Indian lands were deposited to the collection accounts at all four projects and made available for future expenditure. These collections during the period January 1 through June 30, 1955, of prior years' assessments, for the projects visited during the audit are as follows:

<u>Project</u>	<u>Amounts collected</u>
Colorado River	\$ 3,284
Chuichu	22
San Xavier	143
Uintah	<u>32,918</u>
	<u>\$36,367</u>

In addition, the Chuichu Project collected amounts totaling \$844 during calendar year 1954 relating to assessments for the same

year. These collections were deposited to the project's trust fund, although all operation and maintenance costs were financed from reimbursable appropriated funds. At the other projects that were audited in fiscal year 1955, operation and maintenance costs had been financed from both project revenues and reimbursable appropriations.

The accounting procedures now followed by the Phoenix Area do not permit precise determination of the amounts of collections of operation and maintenance assessments originally financed from reimbursable appropriations. Furthermore, in a memorandum dated May 10, 1955, Area Directors were advised by the Acting Assistant Commissioner (Administration) to continue making deposits of all collections for each project to the operation and maintenance account.

To assure the proper application of receipts, we recommend that collections of deferred assessments financed by reimbursable appropriations be paid into the United States Treasury as miscellaneous receipts and that the accounting records be maintained in a manner that will disclose adequately such collections.

To that end we recommend that the Commissioner prescribe the following procedures in the Indian Affairs Manual to account for irrigation operation and maintenance assessments and collections.

a. Annual operation and maintenance assessment:

Debit: Account 136.5 Accounts Receivable, Operation and Maintenance Charges, Indian Lands

Credit: Account 550.1 Operation and Maintenance--  
Irrigation, Income

b. When there is an official determination that an Indian is unable to pay the operation and maintenance assessment and reimbursable appropriations are used to finance the assessment:

Debit: Account 128.2 Deferred Receivables, Operation and Maintenance Charges

Credit: Account 136.5 Accounts Receivable, Operation and Maintenance Charges, Indian Lands

c. When deferred operation and maintenance assessments are paid:

Debit: Account 204.2 Funds Returned to the U.S. Treasury, Operation and Maintenance Repayments

Credit: Account 128.2 Deferred Receivables, Operation and Maintenance Charges

These procedures will correct the present deficiencies in accounting without requiring any changes in the Bureau's accounting system. The official views of the Department on this matter have been requested.

2. Proceeds from equipment sales  
improperly deposited to project accounts

The proceeds from the sale of equipment of the Colorado River and Chuichu Irrigation Projects were improperly deposited to the operation and maintenance trust funds of the projects. For the month of June 1955 these deposits amounted to \$7,864 for the Colorado River Project and \$511 for the Chuichu Project.

Phoenix Area Office fiscal personnel stated that project records do not differentiate between the sources of funds used to purchase equipment, and that no attempt was made to identify the equipment sold with the appropriation from which it was originally financed.

Bureau records show no expenditures from the Chuichu Project trust fund. Therefore there is no basis for depositing to that fund the proceeds of sale of equipment that had not been originally purchased with trust fund moneys. At the Colorado River Project, expenditures had been made from both trust funds and reimbursable appropriations, but the source of the funds used in purchasing equipment could not be identified.

The proceeds of sale of surplus property are required to be covered into the Treasury as miscellaneous receipts. (See 40 U.S.C. 485(a).) An exception is permitted by 40 U.S.C. 485(b) which provides in part that when such property is acquired by the use of funds either not appropriated from the general fund of the Treasury or appropriated therefrom but by law reimbursable from assessment or other receipts, then the net proceeds of the disposition shall be credited to the reimbursable fund or appropriation.

In the absence of a positive identification of the source of the funds from which the equipment was purchased, so as to bring the proceeds involved within the exception referred to above, we recommend that the Area Director deposit the amounts mentioned above, and any other proceeds from similar transactions, in the United States Treasury as miscellaneous receipts.

3. Data on status of project lands not adequate

In our report for fiscal year 1954 (item 21, p. 12) we stated that the irrigable acreage reported in Phoenix Area Crop Reports did not agree with related statistics on file at certain irrigation projects. The area records show that this deficiency still

exists. At the Colorado River and Uintah Irrigation Projects adequate information on irrigable acres is not available on which to determine the assessments necessary for operation and maintenance of irrigation works.

Assessments for operation and maintenance costs are based on the irrigable acreage of irrigation projects. The total irrigable farm acreage reported for the Uintah Project in the Phoenix Area 1954 Crop Report did not agree with the acreage in the area under constructed works at the project as reported on the Irrigation Data Sheet used for budget requests and annual reports. Neither report agreed with the total irrigable acreage recorded in the water users' ledger.

Acreage statistics for the Uintah Irrigation Project taken from the different records purporting to cover the same area are as follows for the calendar year 1954:

	<u>Acres</u>
Irrigation Data Sheet showing area under constructed works for 1954 (estimates for fiscal year 1957)	77,761
Calendar Year 1954 Crop Report	80,165
Total irrigable acreage on water users' ledger	78,086

The Colorado River Project Irrigation Data Sheet containing the estimates for fiscal year 1957 showed 33,403 irrigated acres under constructed works for 1954. Of this number, 6,154 acres were under Government control either for reclamation work or pending assignment to Indians and were not considered in the billing for operation and maintenance costs. This deduction left a remainder of 27,249 acres; however, only 26,588 acres were considered in billing for water during calendar year 1955. Since the water users' ledger had not been posted for 1955, we could not determine whether the unbilled acres had been included in assessments for water.

Out of a total of 110 Colorado River Irrigation Project allotments or parts of allotments which had not been billed for operation and maintenance assessments, tests were made of 11 located in Section 11, Township 9, North Range 20 West. All contained irrigable acres.

Accurate and reliable data on irrigable acreage of irrigation projects are required to make certain that reimbursable construction costs and operation and maintenance costs can be properly assessed. We recommend that the Area Director take action to have surveys performed to determine the irrigable acreage of area irrigation projects. These surveys could take the form of a list or tabulation of the plats or allotments at an irrigation project, a determination of irrigable and nonirrigable acreage in each plat or allotment, and an over-all summary of the detail tabulation.

#### 4. Operation and maintenance assessment rates not sufficient to cover costs

In our reports for fiscal years 1953 (item 12, p. 11) and 1954 (item 16, p. 9) we stated that assessment rates charged water users on certain irrigation projects in the Phoenix area were not sufficient to recover the operation and maintenance costs on these projects. Area records show that some progress has been made to increase the assessment rates. However, our audit for fiscal year 1955 disclosed that the rates assessed on three of the four projects reviewed were not sufficient to cover the costs of operation and maintenance.

For the calendar year 1954 the rates per acre assessed on the Chuichu and San Xavier Irrigation Projects for operation and maintenance were \$11.90 and \$4.49 less, respectively, than the actual cost per acre. These differences are computed based on information supplied by area and agency personnel, as follows:

<u>Description</u>	<u>Projects</u>	
	<u>Chuichu</u>	<u>San Xavier</u>
Total assessed irrigable acres	<u>575.7</u>	<u>1,376.8</u>
Total operation and maintenance costs	\$7,761	\$7,561
Total operation and maintenance assessments	<u>906</u>	<u>1,377</u>
Total excess cost	<u>\$6,855</u>	<u>\$6,184</u>
Cost per assessed irrigable acre	\$13.43	\$5.49
Assessment per acre	<u>1.58<sup>a</sup></u>	<u>1.00</u>
Excess cost per acre	<u>\$11.90</u>	<u>\$4.49</u>

<sup>a</sup>Average rate

The policy of the Bureau is to charge water users for delivery of water at rates sufficient to cover all operation and maintenance costs. Moreover, a lien is created against irrigable lands under irrigation projects where the operation and maintenance costs of such projects remain unpaid and are reimbursable. Bureau procedure (56 IAM 803) requires that billings and collections of operation and maintenance assessments for each tract of land be recorded in the water users' ledgers and that the unpaid charges remain as a lien against the land. When the assessment rates are less than the actual costs of operation and maintenance, the water users' ledgers do not provide current accurate information on liens against the specific allotments of irrigable lands. This information is essential in event the lands are sold, especially at the San Xavier Project on which all the assessed acres are allotted.

To provide for payment of proper amounts of operation and maintenance costs, we recommend that the Area Director take action to set assessment rates at the Chuichu and San Xavier Irrigation Projects sufficient to cover all reimbursable operation and maintenance costs.

The acreage used in the computation of operation and maintenance assessments for the Uintah Irrigation Project includes submarginal lands that will not receive water. As a result the assessment rate is insufficient to pay the costs of operation and maintenance and appropriated funds are used to pay the costs not covered by the assessments to water users.

The total area of the project that can receive water amounts to 77,761 acres based on current Bureau records. Of the total acreage in the project, about 15 percent was determined to be permanently nonagricultural in a report entitled "A Study of Economic Conditions on the Uintah Irrigation Project, Utah," prepared by A. L. Walker, Agricultural Economist, and submitted to the Commissioner of Indian Affairs in September 1938. This report was based on a project area of 76,091 acres. In view of the condition of the records, we did not attempt to reconcile the difference.

The present assessment rate for the 77,761 acres in this project is \$2.10. The estimated operation and maintenance program for 1955 was \$173,260, but contract income reduced this amount by \$7,400 to \$165,860, for a rate of \$2.13. Although the rate of \$2.10 an acre would appear to substantially cover the costs of operation and maintenance, there is little likelihood of collecting assessments on idle submarginal lands. Hence, lands actually receiving water are in effect benefiting by the amounts of reimbursable funds applicable to submarginal lands. If the irrigable 77,761 acres are reduced by 15 percent or 11,664 acres, the remaining area of 66,097 acres requires an assessment rate of \$2.51 to recover the net operation and maintenance costs of \$165,860.

Agency personnel stated that a project land reclassification survey is now under way to classify soils and redesignate project lands. The survey is expected to be completed by October 1956. The existence of significant areas of nonagricultural lands has been known since 1938, and Mr. Walker's report recommended that operation and maintenance costs no longer be assessed against such lands. The possibility of collecting such assessments is remote, and the continued inclusion of these lands in the base used in computing assessments has resulted in a rate that does not cover all operation and maintenance costs and has required the Federal Government to pay the difference.

To achieve a sound basis for requests for appropriations of reimbursable funds, and to provide assurance that operation and maintenance assessments are adequate, we recommend that the Area Director take steps to set a rate at the Uintah Irrigation Project designed to recover all operation and maintenance costs and to apply such rate to lands actually benefiting from the irrigation works.



##### 5. Construction liens not based on current cost data

Current reimbursable construction costs have not been used by the Uintah and Ouray Agency as a basis for establishing liens against lands sold or transferred from trust status during the fiscal year 1955.

Liens established to cover reimbursable construction costs were based on a schedule of such costs prepared in June 1942, distributed on a canal basis, showing total expenditures of \$955,499 for 77,195.09 acres of project lands. In more recent years the construction costs have not been distributed on a canal basis. Although construction expenditures have increased since June 1942, the agency did not take such increases into account when computing liens.

An example of losses that may result from this practice involves Allotment U and W 257 covering 80 acres sold on March 28, 1955, to a non-Indian. The construction cost lien established for this allotment and the amount paid under Bill No. 1408, dated May 5, 1955, were based on the June 1942 schedule, of \$7.93 an acre. According to Bureau records, expenditures as of February 28, 1955, totaled \$1,216,596 for 77,761 acres of project land, or an average of \$15.64 an acre. In view of the condition of the records, we did not attempt to reconcile the difference between the acreage reported here with that in the above paragraph. Uintah and Ouray Agency employees advised us that the current data should have been furnished by the area office, and the area office personnel stated that such information should have been requested by the agency office. Area office personnel further stated that construction costs should be prorated equally to all acres in the irrigation project in accordance with volume V, part VI, section 706.08, of the Indian Affairs Manual.

In order that the full amount of construction costs applicable to parcels of land transferred from trust status may be recovered, we recommend that the Area Director determine current construction costs so that the proper liens may be currently recorded in the water users' ledger, with the total amount due recorded in General Ledger Account 128.1, Deferred Receivables--Construction Charges, in accordance with volume IV, part II, section 502.C4B(2), of the Indian Affairs Manual.

##### 6. Assessments in arrears on lands subsequently leased not collected

Aggressive action has not been taken to collect operation and maintenance assessments in arrears from certain Indians, whose lands were leased in calendar year 1955, on the Colorado River and the Uintah Irrigation Projects.

During the period 1950-54 an average of 22,311 acres of Indian land were leased to non-Indians annually at the Uintah Irrigation Project. In connection with lands leased in calendar year 1955, records relating to 724 acres for 15 allotments in the No. 1 Canal water users' ledger were examined. Fourteen of these allotments had outstanding assessment charges against them as of August 1955 dating back as far as 1945. The 14 allotments are shown below.

Allotment number	Acres	Unpaid assessments	Annual rent	Number of individuals sharing income
Unc. 1	96	\$858.66	\$110.00	8
U & W 48	40	106.82	60.00	9
" 53	40	120.46	100.00	1
" 122	78	525.20	225.00	8
" 211	40	334.46	1/3 crop	9
" 212	40	427.70	1/3 crop	9
" 250	40	61.69	80.00	1
" 251	40	412.87	40.00	1
" 299	40	454.84	150.00	5
" 343	72	565.34	120.00	5
" 344	38	265.74	50.00	10
" 461	40	42.17	100.00	11
" 720	40	65.14	65.00	8
" 721	40	144.32	65.00	8

The water users' ledger shows that all of these lands have been or will be leased for at least 4 years. Uintah and Ouray Agency personnel have stated that income from lease rentals is in some cases the only source of outside income available to the Indians and that application of this revenue to the assessments due would create hardships. However, during the period August 21, 1951, to August 30, 1955, per capita payments amounting to \$4,795 were made to each enrolled Indian of the Ute Tribe, the principal Indian tribe under jurisdiction of the Uintah and Ouray Agency. It would appear that such payments could also have been applied to assessments due the Government, where applicable.

The Colorado River Indian Agency did not collect 1954 assessments on Colorado River Project lands of the following water users, although the lands were leased in calendar year 1955:

Water user	Assessment		Lease number	Acres	Annual rent
	Bill number	Amount			
Andrew Johnson	54-750	\$223.80	5684	37.3	\$746.00
Clarence Paddock	54-394	222.60	5723	36.3	726.00
Eugene Stevens	451-765-54	111.60	5660	37.2	600.04

We recommend that the Area Director make every effort to reach agreements with Indians to apply available lease income or other Indian funds to amounts due the United States and prescribe appropriate administrative controls to insure collection of assessments in arrears on leased land.

7. Delivery of excess water at no charge

No charge was levied by the Colorado River Irrigation Project for water delivered to water users during the calendar year 1954 in excess of that covered by the basic assessment.

The Code of Federal Regulations (25 C.F.R. 130.7) provides that charges for excess water delivered to water users of the Colorado River Project shall be assessed at the rate of \$1.50 an acre-foot. Certain free excess water may, under 25 C.F.R. 130.6, be allowed for not more than two successive years for certain alkali tracts planted to rice for the purpose of reclaiming the lands. The records indicate that no rice was planted during 1954. We examined 63 of the 263 water delivery record cards at the agency and noted that 29 of the users had received water in excess of their basic allowance without being billed therefor. The amount due for the cases sampled was \$8,968, of which \$3,863 related to the following non-Indians:

<u>Lessee</u>	<u>Excess water (acre-feet)</u>	<u>Rate per acre-foot</u>	<u>Amount due</u>
S. E. Bradshaw	178.8	\$1.50	\$ 268
Colorado River Trading Co.	2,333.8	1.50	3,501
M. V. Dominguez	63.0	1.50	94
	<u>2,575.6</u>		<u>\$3,863</u>

We did not determine the total amounts which were due. Agency personnel stated that some of the land involved is sandy or contains alkali and therefore requires more water to produce a good crop. Under such conditions it was considered that 25 C.F.R. 130.6 permitted an allowance of free water. As we have pointed out above, however, the exemption permitted in that provision relates only to rice-planted alkali areas.

On February 14, 1955, the Superintendent of the Colorado River Agency advised the Project Irrigation Manager that excess water should not be billed to Indians during 1955, but that a policy would be put into effect to charge non-Indians for excess water. The agency superintendent further stated that for 1956 the agency proposes to also charge the Indians for excess water.

We recommend that the Area Director take action to collect amounts due the United States under the applicable regulations specifically setting forth rates at which services furnished by

irrigation projects shall be charged, and that agency superintendents be required to follow applicable regulations until changed or superseded by proper authority. Only then can Bureau officials be certain that its policies and regulations are being followed.

8. Costs of delivering water during nonirrigation season not reimbursed by the beneficiaries

Costs incurred at the Uintah Irrigation Project as a result of the delivery of domestic and stock water during the nonirrigation season have not been reimbursed by the beneficiaries.

Project officials estimated that such costs amounted to \$2,000 during fiscal year 1955. Volume V, part VI, section 804.05B, of the Indian Affairs Manual provides that water users must bear the extra cost of off-season deliveries.

In order that the project may obtain reimbursement for the costs incurred in such deliveries of water, we recommend that the Area Director determine the costs involved and bill the water users benefiting therefrom.

9. Charges not assessed for additional water delivery points

The Uintah Irrigation Project is not making the prescribed additional charge against tracts of land with more than one delivery point.

A charge of 10 cents an acre is required for each additional delivery point located on a tract of land in excess of the delivery point covered by the basic charge for water. (See 25 C.F.R. 130.77b.) Project personnel have estimated that 6,500 acres in the project would be subject to this assessment. On that basis annual income of about \$650 is being lost to the project.

In order that income properly due is received by the project, we recommend that the Area Director require compliance with the regulation, that prescribed charges be made, and that appropriate collections be made.

10. Deferred operation and maintenance charges not recorded properly

In our report for fiscal year 1954 (item 30, p. 19) we stated that the amounts of reimbursable appropriations obtained in prior years by certain area projects were not recorded as receivables or properly classified as being current or deferred. There has been no change in this practice during fiscal year 1955.

During our audit for fiscal year 1955, note was made that the situation existed also at the Colorado River Irrigation Project. As a result, we were unable to determine, from the available



records, the total amount of such deferred charges. Based on balances in the project general ledger accounts as of June 30, 1955, such amount is estimated by us to be as follows:

Reimbursable appropriations:	
Account 213.2, Loans Due U.S.--	
Operation and Maintenance	\$850,703
Less Account 206.2, Charge-offs	
Authorized by Congress--	
Operation and Maintenance	<u>454,454</u>
Net deferred receivables	396,249
Receivables recorded on books:	
Account 136.5, Accounts Receivable--	
Operation and Maintenance	
Charges--Indian Lands	<u>36,591</u>
Unrecorded deferred receivables	
(estimated)	<u>\$359,658</u>

In such a situation Bureau officials are provided with no authoritative record of amounts due the United States for operation and maintenance assessments. Moreover, the condition may conceal the unauthorized write-off or cancellation of assessments due, or the undetected misappropriation of assessments collected.

We recommend that the Area Finance Officer record the total amount of outstanding receivables in the project's books, and that these receivables be classified as current or deferred in accordance with provisions in the Indian Affairs Accounting Manual. Such action will facilitate the determination of the amounts which should be deposited in the Treasury as miscellaneous receipts.

#### 11. Lands excluded from operation and maintenance assessments without adequate supporting evidence

The Uintah Irrigation Project records do not adequately support the nonassessment of operation and maintenance charges to certain lands in the project classified as irrigable, but to which water cannot be delivered with present project facilities.

Suspensions of the assessments have been shown by notations on the individual accounts in the water users' ledger. However, the author of the notations is not always identified, nor is the reason or authority for the suspension fully stated.

We examined records relating to lands totaling 734.35 acres, served by the No. 1 and Bench Canals, out of a total of 1,288 acres not assessed. In none of the cases tested could we find that the approval of the agency superintendent or the Area Director to suspend the assessments had been obtained. We were advised that suspensions had been authorized by irrigation engineers.

Assessments are required against the entire irrigable area of each farm to which water can be delivered from the present constructed works. (See 25 C.F.R. 121.18.) Volume V, part VI, section 802.02B, of the Indian Affairs Manual shows that the Commissioner of Indian Affairs has delegated to Area Directors the authority to issue operation and maintenance assessment orders against project lands to which water can be delivered. In the absence of a redelegation of such authority to agency personnel, it would appear that suspending such assessments would require similar authority.

Since the authority of irrigation engineers to exclude areas from assessment is not clearly defined, we recommend that the Commissioner clarify the procedure for suspending assessments to provide assurance that any such suspensions will be properly authorized.

#### 12. Water users' ledger not currently posted

Operation and maintenance assessments and collections at the Colorado River Irrigation Project for the calendar years 1954 and 1955 have not been recorded in the water users' ledger as required by volume V, part VI, sections 803.02C and E(2), of the Indian Affairs Manual.

A lien is created against irrigable lands under Indian irrigation projects where the construction and operation and maintenance costs of such projects remain unpaid and are reimbursable. (See 25 C.F.R. 151.1.) These liens are not recorded with any state agency, and, accordingly, the water users' ledger remains the only source for an accurate determination of the amounts of the liens against the specific allotments of irrigable lands. The availability of current accurate information on liens is essential

in the event lands are sold and the proceeds thereof are available for liquidation of applicable liens.

We recommend that the Area Director take prompt action to have the water users' ledgers maintained on a current basis and reconciled periodically to the project's financial records.

13. Provision not made for collection of construction lien upon sale of land

A contract covering the repayment of liens for construction costs was not executed on the sale of land in the San Carlos Irrigation Project. This item was included in our report for fiscal year 1954 (item 20, p. 12). Area officials have advised us that the matter has still not been brought to a conclusion.

A white woman inherited about 20 acres of land upon her Indian husband's death which extinguished Indian title automatically by operation of law. The widow sold the land to the Gila River Pima-Maricopa Indian Community on September 26, 1951, for a reduced price of \$800. The land was purposely appraised at \$800 upon the instructions of the agency superintendent in order that the income to the widow would be exempt from State Welfare action. Construction cost liens of about \$157 an acre existed on this land at the time of sale. While the land was conveyed to the tribe subject to the liens, a construction cost repayment contract covering the outstanding liens against the land was not executed before the sale, although such action is required. (See 25 C.F.R. 151.2.) These liens have not been paid by the purchaser or seller.

To insure the recovery and collection of reimbursable construction costs due the United States, we recommend that the Area Director comply with the regulations governing the sale of land and repayment of construction costs on land on which Indian title has been extinguished. In this instance we further recommend that a repayment contract be executed to cover the construction costs liens on the acres of unrestricted, nontrust, irrigable land purchased by the tribe. We recommend also that instructions be issued by the Area Director requiring that land appraisals by Bureau employees be based on actual land values.

LAND MANAGEMENT

14. Grazing records not maintained

Records of an annual stock census are not being maintained at the Uintah and Ouray Agency. Records of the use of grazing lands are not being maintained at the Colorado River and Uintah and Ouray Agencies.

The range unit records at the Uintah and Ouray Agency do not show that an annual stock census has been taken to insure that the carrying capacity fixed by the Commissioner is not being exceeded. (See 25 C.F.R. 71.8.)

A register is not being maintained at these agencies of all users of the range, showing their names, the number and kind of stock being grazed, the carrying capacity of each grazing unit, the periods during which grazing should be permitted, and the fees paid; nor could we find that a report of that information has been submitted to the Commissioner of Indian Affairs. (See 25 C.F.R. 71.8.)

To maintain safeguards against improper use of grazing lands, we recommend that the Area Director observe the applicable regulations, including those referred to herein.

15. Reports to examiners of inheritance not submitted monthly as required

In our report for fiscal year 1954 (item 8, p. 5) we stated that superintendents of all agencies within the area were submitting reports of Indian deaths for their districts to the examiner of inheritance intermittently, although volume II, part II, section 106.05, of the Indian Affairs Manual provides that such reports be submitted monthly.

In our audit for 1955 it was disclosed that the Papago Agency and the Pima Area Field Office have not submitted monthly reports to the examiner of inheritance for the purpose of advising him of all Indians who have died leaving trust or restricted estates.

To enable the examiner of inheritance to adequately plan his itinerary and conduct preliminary survey work, thereby facilitating the probate of estates, we recommend that the Area Director require compliance with the manual provision.

16. Excessive backlogs of probate cases

Excessive backlogs of probate cases exist and probate cases remain unsettled for many years.

Since 1950 the examiner of inheritance has not determined the heirs of Indians under the jurisdiction of the Papago Agency who

have died intestate possessed of trust or restricted property. Our review of 20 out of about 290 allotments disclosed that 7 allotments are being used by Indians who have not been determined to be the legal heirs of the decedents to whom the allotments had belonged. It would be possible, therefore, for the legal heirs to assert a claim of mismanagement against the United States for allowing such allotments to be used by Indians having no legal right thereto. Agency personnel stated that there is a present backlog of about 500 cases which require probate.

At the Uintah and Ouray Agency only 8 probate cases are over 2 years old. However, 3 of these 8 cases are over 20 years old. The 3 cases are listed below.

<u>Decedent</u>	<u>Allotment number</u>	<u>Reason for delay</u>
Carrichie	Unc 531	Turned over to examiner of inheritance; no current information on status
Chester, Piute	Unc 377	Turned over to examiner of inheritance; additional information needed in view of conflict in testimony; necessity of determining if decedent had a wife
Cohoe, Sallie	Unc 293	Turned over to examiner of inheritance; additional information needed

We were unable to determine from available records the dates of death for the above decedents, but agency personnel stated that the Indians listed had died more than 20 years ago. Agency personnel stated also that a request will be made to declare the estates in escheat and to submit the matter to the Secretary of the Interior for a decision.

To prevent possible claims against the United States by heirs to trust or restricted property and to avoid additional and continuing administrative expenses, we recommend that the Area Director bring the status of trust or restricted land up to date and take prompt action to determine the legal heirs.

#### 17. Probate fees not collected from estates, heirs, or beneficiaries

Aggressive action has not been taken by the Colorado River, Papago, and Uintah and Ouray Agencies to collect probate fees from estates, heirs, or beneficiaries, although such action is required. (See 25 C.F.R. 81.22.)

Probate fees receivable at the Colorado River Agency as of June 30, 1955, amounted to \$3,198. Out of 27 accounts totaling \$545 selected for examination, all bills against estates were rendered before July 1945. Of the 27 accounts sampled, records for

15 were available for examination. Each of the 15 involved non-income-producing lands; but the living heirs of 12 of the 15 estates have income from their own lands or from other inherited interests.

As of September 23, 1955, probate fees receivable at the Papago Agency amounted to more than \$4,000, representing about 200 accounts relating to lands on the San Xavier Reservation. Although certain probate fees had been collected before the fiscal year 1955, we noted three instances, out of 18 cases reviewed, where estates had on deposit, in individual Indian money accounts, funds which had not been set off against probate fees due.

In addition the records show that the estates of deceased heirs or deceased beneficiaries of estates also have balances in individual Indian money accounts.

As of September 30, 1955, probate fees receivable at the Uintah and Ouray Agency amounted to \$222, representing seven accounts. In two instances estates had on deposit, in individual Indian money accounts; funds which had not been set off against probate fees due.

The Code of Federal Regulations provides (25 C.F.R. 81.22) that upon a determination of the heirs to any trust or restricted Indian property of the value of \$250 or more or to any allotment, probate fees shall be paid (1) by the heirs, or (2) by the beneficiaries under the will, or (3) from the estate of the decedent, or (4) from the proceeds of the sale of the allotment, or (5) from any trust funds belonging to the estate of the decedent.

To comply with the applicable regulations and take the necessary steps to collect amounts due, we recommend that the Area Director take aggressive action to collect probate fees from the applicable prescribed sources.

## INDIVIDUAL INDIAN MONEYS

### 18. Support for withdrawals from individual Indian money accounts not adequate

In our report for fiscal year 1954 (item 41, p. 25) we stated that the Fort Apache Agency had made payments to individual Indians without the required supporting evidence. During our audit for the fiscal year 1955 the area office records indicated that proper support was now being required. We did not visit the Fort Apache Agency in 1955, but, at the Colorado River, Papago, and Uintah and Ouray Agencies visited by us, withdrawals were being made during fiscal year 1955 without execution of the required written application, Form 5-139b, "Individual Indian Accounts Application," as prescribed in volume IV, part II, section 603.03E(19)(b)(i), of the Indian Affairs Manual. Further, records of signatures were incomplete at the Colorado River and Papago Agencies. At the Uintah and Ouray Agency neither written nor thumbprint signature records were maintained, and separate account folders were not used.

Out of 218 accounts of record at the Colorado River Agency as of June 30, 1955, tests of 40 disbursements relating to 22 accounts disclosed that 14 disbursements were not supported by form 5-139b or other written authorization.

We reviewed all of the 35 accounts at the Papago Agency as of August 31, 1955, for disbursements other than recurring monthly payments, and in two accounts the required application was not of record. In connection with six recurring monthly payments relating to two accounts, the statements by the superintendent required for such disbursements were not on file in the individual jackets, although court orders appointing guardians and prescribing amounts to be paid were attached to account ledger sheets.

The Uintah and Ouray Agency began using form 5-139b on or about October 1, 1954. As of September 23, 1955, none of the applications had been filed or sorted, and they had been accumulated in a filing basket. Provisions of the Indian Affairs Manual also provide that a separate folder will be maintained for each account and will contain all withdrawal applications. Our examination of 458 out of 2,470 checks paid during the months of October, November, and December 1954 and June 1955 showed that there were no forms 5-139b for 106 checks, that some of the forms executed did not have the Indian's signature or thumbprint, and that two of the forms were not approved by a Bureau official.

Prudent banking practice would require that withdrawal applications be signed and signature or thumbprint records be maintained for each account owner to aid in the determination that disbursements are made to the proper depositor. We recommend that the Commissioner provide for the establishment of signature cards for IIM

account owners. Also, in order for the Bureau of Indian Affairs to discharge satisfactorily its responsibility for handling individual Indian accounts, we recommend that the Area Director take steps to require that the applicable regulations be strictly observed.

### 19. Individual Indian money ledgers contain small and inactive accounts which should be closed

In our report for fiscal year 1954 (item 40, p. 25) we stated that the Fort Apache Agency had made no attempt to close inactive accounts with balances of \$100 or less. During our audit for fiscal year 1955 our examination of the area records indicated that all agencies had been instructed to make a concentrated effort to close small accounts. However, at the Colorado River, Papago, and Uintah and Ouray Agencies small accounts had not been closed at the time of our examination in September 1955.

Accounting Systems Memorandum No. 28 issued by the General Accounting Office on June 26, 1953, requires agencies to analyze their trust and deposit fund accounts at least quarterly for the purpose of determining unclaimed balances which may be properly disbursed to the individuals concerned.

In our review of 11 of the 35 individual Indian money accounts of record at the Papago Agency as of August 31, 1955, it was disclosed that the required analyses of accounts had not been made and that 8 accounts had not been active for the past 12 months. Six of these eight accounts had been held open because the whereabouts of the owners were unknown.

Of the 534 individual Indian money accounts at the Uintah and Ouray Agency as of August 31, 1955, there were 193 which had balances of less than \$100, summarized as follows:

\$10 or less	117
More than \$10, but not more than \$50	55
More than \$50, but not more than \$100	21
Total	<u>193</u>

We examined 35 of the accounts with balances under \$100 and 4 were found to have been inactive for more than a year.

Although the Colorado River Agency has closed out 75 inactive individual Indian money accounts with small balances out of 154 accounts transferred from the Sacramento Area Office, we examined 20 other inactive accounts and noted that the following accounts should have been closed also.

Name	Account number	Amount	Last activity
Hopi Community Board	H-194	\$52.00	10-1-52
James Laffoon	L-82	.41	10-1-52
Rafael Ranee	R-10	20.75	1-1-54

No apparent effort had been made, however, to close these accounts.

To reduce the number of inactive individual Indian money accounts, we recommend that the Area Director make an effort to locate those Indians whose whereabouts are unknown and, if after a reasonable length of time the Indians cannot be located, to close the accounts in accordance with Accounting Systems Memorandum No. 28.

#### 20. Statements of individual Indian money accounts not distributed

In our report for fiscal year 1954 (item 39, p. 25) we stated that the Fort Apache Agency was not distributing statements of individual Indian money accounts every 6 months as required by existing regulations. Our examination of the area records for fiscal year 1955 indicated that all agencies had been instructed to distribute these statements. However, the Colorado River and Uintah and Ouray Agencies had not distributed the statements of accounts as required by volume IV, part II, section 603.03E(19)(a), of the Indian Affairs Manual. In addition, a memorandum dated July 20, 1955, from the Assistant Commissioner (Administration), provides that for the period ended June 30, 1955, and for each 6 months' period thereafter, the first copy now being maintained of each account will be detached and furnished to the individual.

To avoid controversies and possible claims regarding amounts on deposit by Indians, we recommend that the Area Director enforce the applicable manual provisions and the instructions of the Assistant Commissioner.

#### 21. Inappropriate use of account 2224.3, Deposits--Other

The following receipts were incorrectly recorded by the Colorado River Agency in the trust activities account 2224.3, Deposits--Other, as of June 30, 1955.

Description	Number of accounts	Amount
Power project cash deposits	446	\$8,733
Partial payments on water bills	21	1,421
Partial payments on loans	11	2,074

Volume IV, part II, section 502.05B(2), of the Indian Affairs Manual provides that account 2224.3 shall include deposits which cannot be applied to a special purpose and are not provided for elsewhere in the chart of accounts.

The above receipts should be posted directly to the appropriate accounts in accordance with the provisions of the Indian Affairs Manual (42 IAM 502). The intermediate crediting to account 2224.3 is unnecessary.

When the matter was brought to the attention of the agency and area personnel, immediate steps were taken by them to make the necessary transfers. However, to avoid unnecessary recordkeeping, we recommend that the Area Finance Officer make a determination that the same inappropriate use of account 2224.3, Deposits--Other, is not in effect in other agency offices.

#### 22. Trust receipts not promptly distributed

Trust receipts from right-of-way easements at the Uintah and Ouray Agency have remained in account 2224.3, Deposits--Other, for several years without being distributed to the persons entitled to the receipts.

The balance in the account at August 31, 1955, consisted of the following types of deposits:

Deposits for rights-of-way and damages	\$ 6,421
FICA and income tax withheld on Ute tribal payroll	2,949
Oil and gas lease payments	7,820
Refunds	13
	<u>\$17,203</u>

Our attempt to analyze the deposits for rights-of-way and damages disclosed the following information:

1. State Road Commission, Utah--\$1,176.42. There have been no transactions in this account since March 28, 1952. Agency personnel told us that the deposits were made for right-of-way easements. When brought to their attention, they determined to whom \$496.58 should be distributed. They were unable to advise us of the proper distribution of the balance.
2. Salt Lake Pipe Line Company--\$5,059.40. The entry was made on November 10, 1947, as a right-of-way deposit. There were no subsequent transactions in the account. When brought to the attention of agency personnel, they determined to whom the amount should be paid.



3. Mountain States Telephone and Telegraph Company--\$80.59. The last transaction in this account was on April 1, 1949. The balance consists of right-of-way deposits. Agency personnel were unable to advise us of the proper distribution of this amount.
4. Dry Gulch Irrigation Company--\$105.00. The balance consists of a deposit made March 30, 1951, for a right-of-way easement for construction of an irrigation canal. There were no subsequent transactions. Agency personnel were unable to advise us of the proper distribution of this amount.

To discharge satisfactorily the responsibilities for handling trust receipts, we recommend that the Area Finance Officer determine the rightful owners of deposits of funds held in trust and make appropriate distribution of the funds.

23. Individual Indian money accounts subsidiary records not in agreement with general ledger control accounts

The aggregate balances in the subsidiary records of individual Indian money accounts at the Uintah and Ouray Agency are not in agreement with balances in the general ledger control accounts at the Phoenix Area Office and were not reconciled to the balance in the general ledger account as of August 31, 1955.

A comparison between the agency and area accounts is as follows:

Account 2224.1:	
Area balances	\$741,289.74
Agency balances	<u>736,138.28</u>
Difference	<u>\$ 5,151.46</u>
Account 2224.3:	
Agency balances	17,202.65
Area balances	<u>11,930.91</u>
Difference	<u>\$ 5,271.74</u>

Area finance personnel stated that these accounts had not been reconciled during the fiscal year ended June 30, 1955, but that action will be taken to bring the accounts into agreement.

To maintain proper financial control over receipts and disbursements of individual Indian money accounts, we recommend that the Area Finance Officer make periodic reconciliations of the balances in the subsidiary records with the control account balances, make adjustments necessary to bring the accounts into agreement,

and take action as necessary to correct procedures resulting in differences between controls and aggregates of subsidiary records.

24. Banking facilities and services furnished to Indian tribes

The Ute Indian Tribe at the Uintah and Ouray Agency is using individual Indian money accounts to transact tribal business which includes the disbursement of the tribal payroll. This practice is contrary to the stated policy of the Bureau of Indian Affairs which provides that voluntary deposits shall not be accepted except where required to avoid substantial hardships. (See 25 C.F.R. 221.6.)

The following balances comprised the individual Indian money accounts at the Uintah and Ouray Agency at August 31, 1955.

Tribal funds:	
Ute Indian Tribe	\$ 51,328
Ute Indian Tribe, Revolving Credit Fund	394,679
Ute Indian Tribe, Land Purchase	18,982
Appropriated Ute Tribal Funds	<u>61,927</u>
Total tribal funds	526,916
Individual Indian accounts	<u>209,222</u>
Total individual Indian moneys	<u>\$736,138</u>

Our analysis of transactions for June 1955 showed that cash collections for the Ute Indian Tribe totaled \$22,873, whereas collections for individual Indians amounted to only \$7,161.

While we did not make a complete analysis of the disbursements from the accounts, 689 checks totaling \$85,859 were written in June 1955 on the individual Indian money accounts, of which 186 checks totaling \$14,978 were for payments of the Ute Tribe's payroll. Although the salary of the clerk who handles the individual Indian money accounts is paid from tribal appropriated moneys, the additional expense resulting from the Government's handling of these checks is not borne by the tribe.

Uintah and Ouray Agency officials informed us that two attempts by the Ute Tribe to modify the tribal charter to permit use of private banking facilities were not successful because a majority vote was not attained.

To eliminate the use of individual Indian money accounts for purposes contrary to stated Bureau policy, we recommend that the Area Director make continuing efforts to have the tribe use commercial banking facilities for the transaction of tribal business.



25. Overdrafts in individual Indian money accounts

Six individual Indian money accounts at the Uintah and Ouray Agency showed debit balances as of August 31, 1955, representing disbursements of funds to individuals in excess of funds on deposit to their accounts.

The individuals and the amounts of the overdrafts are as follows:

<u>Account</u>	<u>Name</u>	<u>Amount of overdraft</u>
C-31	Henry Cesspooch	\$ 6.21
W-45	Wilbur Washington	8.17
T-66	Delbert Lee Thompson	5.13
CF-925	Conner Chapoose	10.00
CF-1027	Betty T. and La Marr La Rose	20.19
CF-1059	Ferdinand and Frances Manning, Jr.	<u>237.17</u>
	Total	<u>\$286.87</u>

As of October 6, 1955, toward the end of our visit at the agency, three of the overdrafts had been covered by deposits, but the same overdrafts existed in accounts C-31, W-45, and CF-1027.

To discharge satisfactorily his responsibilities for handling individual Indian money accounts, we recommend that the Area Director take action to prevent such improper payments to individual Indians, and to recover the amounts overdrawn.

VEHICLE USE

26. Deficiencies relating to vehicle utilization and reporting

For fiscal year 1954 (item 26, p. 17) we reported certain deficiencies relating to care and utilization of motor vehicles at the Fort Apache Agency and Pima Area Field Office. We made no audit at these locations for 1955; however, our review of the Phoenix Area Office records indicated that similar deficiencies still continued.

In connection with about 1,100 vehicles under the jurisdiction of the Phoenix Area, we noted that during fiscal year 1955, 27 vehicles had received no use; in addition, 26 passenger cars had been used less than 5,000 miles each; 16 vehicles required maintenance costs exceeding \$1,000 each; and 16 vehicles had not been included in the area's report to the central office in Washington.

Representative examples of the 27 vehicles (5 passenger-carrying vehicles and 22 trucks) not used during fiscal year 1955, although assigned to the Phoenix Area during the entire year, are listed below:

<u>Agency</u>	<u>License number</u>	<u>Description</u>	<u>Model year</u>
San Carlos	I-51572	1/4-ton Willys Jeep	1945
" "	I-32683	" " "	1945
Fort Apache	I-43336	Ford sedan	1948
" "	I-24312	GMC 3-ton truck	1947
Colorado River	I-39556	Ford Jeep	1942
" "	I-36678	Chevrolet truck	1942
Nevada	I-51668	Willys Jeep	1942
" "	I-51440	Willys Jeep	1944

Examples of the 26 passenger cars assigned to the Phoenix Area during the entire fiscal year 1955 used less than 5,000 miles during the year are as follows:

<u>Agency</u>	<u>License number</u>	<u>Description</u>	<u>Year</u>	<u>Mileage, fiscal year 1955</u>
Hopi	I-33009	Pontiac station wagon	1949	1,299
" "	I-33008	" " "	1949	2,209
San Carlos	I-44887	Pontiac sedan	1949	1,560
Fort Apache	I-42975	" "	1951	1,788
Phoenix Indian School	I-32759	Ford sedan	1949	3,377
Phoenix Area Office	I-32849	Pontiac sedan	1948	2,971
" " "	I-51193	Chev. sedan	1953	1,311

Examples of the 16 vehicles having maintenance costs exceeding \$1,000 each are as follows:

Agency	License number	Description	Year	Maintenance cost
Fort Apache	I-36944	Chev. 3/4-ton pickup	1950	\$1,236
Hopi	I-44726	GMC bus	1949	1,927
"	I-44743	Diamond T. wrecker	1941	1,929
Nevada	I-51682	Inter. 5-ton dump truck	1945	1,750
San Carlos	I-6541	FWD 3-1/2-ton digger	1951	1,509

The following 16 vehicles were omitted from the annual area office motor vehicle report for fiscal year 1955 to the central office in Washington, D.C.

License number	Description	License number	Description
I-6335	Internat. pickup	I-39705	Pontiac sedan
I-33063	Pontiac coupe	I-39749	Chev. 1/2-ton pickup
I-36565	Cadillac ambulance	I-42975	Pontiac sedan
I-36583	Chev. ambulance	I-43335	Chev. ambulance
I-36676	Dodge tank truck	I-43336	Ford sedan
I-36677	Ford 1-1/2-ton truck	I-51214	Chev. ambulance
I-36698	Ford 1/2-ton pickup	I-51225	Willys station wagon
I-37234	Diamond T 2-ton truck	I-51226	" " "

When the failure to report these vehicles was brought to the attention of the area property and supply officer he stated that a supplemental report would be submitted to the central office.

To reduce the number of motor vehicles owned by the Bureau, we recommend that the Area Director make a survey at the various agencies to determine the number actually required. Vehicles found to be in excess of the needs of the agency should be transferred to other agencies, if needed there, or declared excess for disposition in accordance with applicable regulations.

As an aid in determining the order of retirement or replacement of vehicles, we recommend that the area property and supply officer require reports on all vehicles needing major repair work.

To provide assurance that all vehicles assigned to the area are reported to the central office, we recommend that the area property and supply officer check the operation data cards for each vehicle to property cards before the reports are compiled.

## 27. Use of heavy movable equipment

In our report for fiscal year 1954 (item 24, p. 15) we pointed out the inadequate utilization of heavy equipment at the Pima Area Field Office. Our examination of Phoenix Area records now indicates improved utilization or proper disposition of the equipment at the Pima Area Field Office. At the agencies audited for 1955, however, several instances were noted of idle and little-used heavy equipment.

Usage reports on heavy movable equipment are not submitted by the Colorado River, Papago, and Uintah and Ouray Agencies to the Phoenix Area Office. Equipment has lain idle at those agencies for considerable periods of time. Such reports are apparently not required by the Phoenix Area Office.

At the Colorado River Agency seven items of equipment had been idle for more than one year before being reported to the area office on August 31, 1955, as excess to the needs of the irrigation activity of the agency. The items of equipment were as follows:

Equipment number	Equipment	Cost
451-648	Tractor, Caterpillar D-7	\$1,275
-1345	Bucket, dragline	375
-1352	Tractor, Caterpillar	200
-1363	Dozer	700
-1405	Dragline DL-1	6,750
-1419	Tractor, Caterpillar	6,500
-1427	Tractor, Caterpillar	1,419

The records did not show the exact length of time the equipment was idle. Our information is based on oral statements by agency personnel.

At the Papago Agency six items of equipment had been idle for more than one year without being reported to the area office. The items of equipment were as follows:

Property number	Equipment	Cost
454-99	Trailer, semi, 2,000 gal.	\$ 250
-245	Angledozer, 12-foot	2,400
-641	Grader, road, elev., Caterpillar	2,934
-661	Land leveler, 10-foot	338
-784	Roller, sheepfoot	887
-788	Ripper, road, Le Tourneau	232

Our information is based on oral statements by agency personnel, since the records did not show the exact length of time the equipment was idle.

At the Uintah and Ouray Agency six items of heavy equipment had been idle or had seen little use without information to that effect being reported to the area office. A list of such equipment follows.

Property number	Description	Cost
462-218	Farmall F-30 tractor	\$1,499
-501	Ford-Ferguson 4-wheel tractor	465
-768	Ferguson Industrial tractor	202
-769	do	202
-770	do	202
-787	Ford-Ferguson 4-wheel tractor	200

Agency personnel told us that the Farmall tractor, property number 462-218, had not been used since 1953 and that two tractors, numbers 462-768 and 462-769, had been loaned to the Ute Indian Tribe for the last two summers for use on a cooperative farm venture without any further use during that period by the agency.

The informal equipment operation data records maintained at the agency were not detailed sufficiently for us to determine the extent of use of the remaining three tractors. However, records maintained by the irrigation activity showed that the tractor with property number 462-770 used 28 gallons of fuel during fiscal year 1955, while tractors with property numbers 462-501 and 462-787 together used 176 gallons of fuel during fiscal year 1955.

To provide BIA area officials with accurate records of equipment usage so as to permit a determination of the needs for such equipment or the advisability of transferring equipment to other locations, and to avoid loss through depreciation of equipment standing idle for long periods of time, we recommend that the Area Director require periodic usage reports on all heavy movable equipment. These reports should include the number of hours the equipment was used.

#### 28. Data used for reports on motor vehicle utilization not accurate

For vehicles assigned to the Papago Agency, inaccurate data in the Phoenix Area Office records was reported to the central office in Washington, D.C. This data was for use in preparing the Annual Motor Vehicle Report for the fiscal year 1955.

Vehicle mileage recorded by the area office did not agree with the records at the agency. In some cases statistics reported by the agency were recorded without change although obviously incorrect. Mileage data are reported by the drivers of the vehicles to activity heads at the agency who then transmit the information to the area office. Examples of discrepancies on records selected at random are as follows:

Vehicle license number	Period	Speedometer readings	
		September 1954	November 1954
I-5562	End of month	59,187	51,469 <sup>b</sup>
	Beginning of month	48,165	50,360 <sup>b</sup>
	Mileage recorded	1,443 <sup>a</sup>	1,109
		January 1955	May 1955
I-39712	End of month	40,737 <sup>b</sup>	39,712 <sup>b</sup>
	Beginning of month	41,049	44,919
	Mileage recorded	1,346 <sup>a</sup>	1,395 <sup>a</sup>

<sup>a</sup>Computation incorrect

<sup>b</sup>Inconsistent mileage readings

Furthermore, operation and maintenance costs reported by the Papago Agency and recorded at the Phoenix Area Office were not in agreement with the Papago Agency garage records. Records on two school busses serviced exclusively by the BIA garage during the fiscal year 1955 are compared as follows:

Vehicle and record	Fiscal year 1955		
	Mileage	Operation	Maintenance
License No. I-5562:			
Phoenix Area Office	10,640	\$480	\$790
Papago Agency	11,936	480	790
Garage	No record	407	853
License No. I-39712:			
Phoenix Area Office	11,713	668	517
Papago Agency	13,055	668	517
Garage	No record	600	577

Examples of mileage differences between the Phoenix Area Office records and the Papago Agency reports on vehicles selected at random follow.

Vehicle license number	Mileage-fiscal year 1955		
	Phoenix Area Office	Papago Agency	Difference
I-5515	1,942	1,474	468
I-5530	55	63	-8
I-36505	8,478	8,525	-47
I-39503	2,461	2,478	-17
I-39739	18,212	18,396	-184
I-43359	21,161	21,047	114

Because the data submitted by the Phoenix Area Office to the central office in Washington, D.C., for compilation of the Annual Motor Vehicle Report is based on information reported by the agencies, we recommend that the Area Director require the agencies to make every effort to furnish accurate and reliable reports to the area office. We believe that the activity heads at the Papago Agency should review carefully the vehicle reports submitted by the drivers of the vehicles before forwarding such reports to the area office. In addition, we recommend that periodic test-checks be made by property management personnel in the area office to detect and correct errors on the motor vehicle records.

CREDIT

29. Loans to individual borrowers  
not consolidated

The Uintah and Ouray and the Colorado River Agencies have not consolidated into one agreement the indebtedness of individuals having more than one loan. Such a consolidation is required by volume IV, part VII, section 506.03B, of the Indian Affairs Manual, except for certain loans not here applicable.

At the Uintah and Ouray Agency, our review as of June 30, 1955, disclosed that 70 individuals each had 2 loans outstanding.

At the Colorado River Agency, our test disclosed three individuals having two direct loans each from the Bureau and three individuals who each had two tribal loans.

To reduce the cost of administering loans and to permit a greater degree of supervision of amounts due from individuals, we recommend that the Area Director require that applicable provisions of the manual be followed.

30. Credit practices not followed consistently

At the Uintah and Ouray Agency, prescribed procedures were not being followed consistently in the issuance of loans.

We reviewed 50 out of 337 outstanding loans at the Uintah and Ouray Agency. Seventeen of the loans tested had been granted for the purchase of homes or for home improvements. In 11 instances fire insurance on the buildings was not secured. In one of the 11 instances insurance had originally been obtained, but it had expired on February 1, 1954, and as of September 30, 1955, the date of our examination, it had not been renewed. Examples are as follows:

<u>Borrower</u>	<u>Loan number</u>	<u>Date</u>	<u>Amount of loan</u>
Albert H. Harris	728	7-17-52	\$10,000.00
Alvin R. Denver	750	7-22-52	10,000.00
do	960	6-11-53	6,592.27
Benton and Marjorie Ridley	985	9- 9-53	3,966.27
James and Winifred Wyasket	988	9-15-53	7,248.77
Fern and Max Burdick	870	12-1-52	10,000.00

Volume IV, part VII, section 506.03C, of the Indian Affairs Manual approved August 30, 1954, provides that unless an exception is specifically authorized by the Area Director, borrowers shall be required to insure buildings purchased with or constructed with loans or pledged as security for loans against loss by fire.

Loan funds have been released to individual Indians at the Uintah and Ouray Agency without the submission of a purchase order which would indicate that the funds are being expended in accordance with the loan agreement. The basic purpose in granting loans is to aid the individual Indian in his economic development. In order that it may be determined that the Indian expends the money borrowed for the proper purposes, volume IV, part VII, section 506.04B, of the Indian Affairs Manual indicates that disbursements should be permitted only in accordance with the purposes for which the loan was made. Under normal practice, a purchase order is issued to a vendor by the loan examiner. The vendor signs the purchase order, the borrower acknowledges receipt of the items purchased, and the funds are then released. In our review we noted that on 14 loans having a face amount of \$103,469 out of the 50 examined, an aggregate sum of \$16,488 was released without the receipt of a purchase order or other supporting documentation.

We recommend that the Area Director take appropriate action to determine that the applicable manual provisions are followed in order that:

- a. The Government and the Indian tribes may be afforded some protection in the event of loss by fire of the loan security.
- b. Payments of Indian moneys will not be made to unauthorized persons and thereby result in possible claims against the Government.

31. Evidence of filing of Federal income and Social Security tax returns not furnished

Copies of Federal income and social security tax returns by tribal organizations at the Uintah and Ouray and Colorado River Agencies have not been furnished to Bureau officials although required by volume IV, part VII, sections 509.09 and 509.10, of the Indian Affairs Manual.

In our reports for fiscal years 1953 and 1954, we brought this deficiency to the attention of the Area Director. Prior to the end of fiscal year 1955, agency superintendents were requested by the area office to furnish information necessary to assist in establishing a follow-up system to insure filing of returns. The records at the area office at the time of our audit in September 1955 indicated that only a few agencies had complied with the request.

At the Uintah and Ouray and at the Colorado River Agencies, copies of returns were still not being submitted to Bureau officials, although records at the Uintah and Ouray Agency indicate that the tribal organizations under its jurisdiction had prepared such returns.

To provide assurance to the Bureau that returns have been filed and that penalties would not be assessed against Indian tribes in the Phoenix Area, we recommend that the Area Director enforce compliance with the manual provisions that copies of returns be furnished Bureau officials.

32. Transfers of funds from individual Indian money accounts not supported

Large sums of money have been transferred by journal voucher from numerous individual Indian money accounts to the Ute tribal account at the Uintah and Ouray Agency without evidence of written authorization.

A housing program was established in 1950 by the Ute Tribe which included a home building program for Indians. The tribe was to purchase materials and sell these materials to the Indians at cost. In many cases the Indians borrowed money from the Tribal Revolving Credit Fund for the purpose of paying for the materials and for other construction costs. The money borrowed by the Indians was deposited in their individual Indian money accounts.

On May 12, 1954, IIM accounts of 55 Indians were charged and the tribal account was credited for a total of \$157,734 by means of journal voucher No. 462-203-54, which contained the following explanation:

"To transfer from Individual CF Loan accounts listed below amounts expended by U-34 for materials furnished in construction of homes in accordance with approved building loans. Disbursements from Individual Loan accounts supported by Credit Fund Purchase Orders."

The purchase orders were supposed to represent the authorization of the individual Indian to charge his account for the amount of materials received. The purchase orders were not attached to the journal voucher, nor were these orders made available for our examination at the agency or at the area office, after we requested them.

In a field trip report dated June 21, 1955, to the Area Director, Phoenix Area Office, the supervisory loan examiner stated, in part, as follows:

"By Journal Voucher dated May 12, 1954, the sum of \$157,734.76 was transferred from a number of individual loan clients' Indian Money Accounts to the Housing Project, probably to furnish the project with operating capital. All information indicates that this was done without individual borrowers' consent or knowledge in most cases. In some instances individuals have expended all their loan funds and still owe a substantial amount to the Housing Project for

home construction purposes. In other instances the charges by the Project are less than the amounts transferred from the individual accounts to the Project resulting in the Project being faced with the need for making refunds to certain individuals."

As a result of an audit of the housing transactions by a firm of accountants, journal voucher 462-7-56, dated July 20, 1955, was prepared by the agency to charge individual accounts for an additional \$42,503, and to credit individuals with the amount of \$9,894 "due to overcollection by JV-462-203-54 dated May 12, 1954."

We recommend that the Area Director require the superintendent of the Uintah and Ouray Agency to support properly the transfers made from the individual Indian money accounts. We were advised by the Area Director that he will request the agency superintendent to furnish the supporting documents.

### 33. Disposal of pledged property securing loans to employees

Property pledged by Bureau and tribal employees at the Uintah and Ouray Agency as security for mortgages has been sold without the securing of releases required by volume IV, part VII, section 506.16s, of the Indian Affairs Manual.

Our examination of 50 out of 337 outstanding loans as of June 30, 1955, disclosed the following instances in which the security for the loan was sold without obtaining the required release or offering new security to replace that sold.

<u>Borrower</u>	<u>Loan or mortgage number</u>	<u>Amount of loan</u>	<u>Security</u>	<u>Date sold</u>
Albert <sup>1</sup> and Lucille Harris	728	\$10,000	Real estate	Unknown
Francis McKinley <sup>2</sup>	1019	6,500	1953 Buick sedan	Unknown
Irma <sup>1</sup> and William Sutteer	971	14,645	Real estate	10-1-54
Norman <sup>1</sup> and Eva Holmes	962	11,009	1951 Plymouth sedan Real estate	Unknown 10-1-54

<sup>1</sup> Bureau employee

<sup>2</sup> Employee of Ute Indian Tribe

Failure to comply with the manual directive could result in losses to the credit fund in the event the borrower defaults on his loan and the loan must be liquidated.

We therefore recommend that the Area Director take action to require compliance with the manual provisions.

### 34. Granting of loans without execution of mortgages on the property purchased with the loan funds

Funds were borrowed by individuals in the Uintah and Ouray Agency for the purchase of cattle, homes, and equipment without securing the loan by a real or chattel mortgage as required by section 24 of the "Declaration of Policies and Plan of Operation, Tribal Credit Fund, Ute Indian Tribe."

The declaration prescribes the terms and conditions under which tribal funds transferred to the Ute Indian Tribe under authority of the act of August 21, 1951 (65 Stat. 193), will be used by the tribe for credit purposes. The declaration was approved by the Commissioner of Indian Affairs, and provides in section 24 that "Applicants shall be required to offer security for loans, if they have security to offer, up to an amount adequate to protect the Tribe fully."

Our review of 50 of the 337 outstanding loans disclosed 32 cases in which funds were borrowed for the purchase of real and personal property without securing the loans by mortgages on the purchased property. Specific examples follow.

<u>Borrower</u>	<u>Loan number</u>	<u>Date</u>	<u>Type of loan</u>	<u>Amount</u>
Burdick, Fern and Max	870	12- 1-52	Home	\$10,000
Natchees, Harvey and Clara	1037	12-21-53	Livestock	2,434
Ridley, Benton and Marjorie	985	9- 9-53	Home	3,966
Judd Longhair	656	4-25-52	Machinery	3,875

To fully protect the assets of the credit fund, and to avoid claims for mismanagement, we recommend that the Area Director take aggressive action at the agency to obtain security for the outstanding loans.

### 35. Records for the Revolving Cattle Pool not maintained currently

The records relating to the Revolving Cattle Pool at the Uintah and Ouray Agency were not in satisfactory condition. The cattle ledger has not been posted since 1952 and both agency and area personnel were unable to locate the applicable contracts for our examination.

Area comments dated August 3, 1955, on the agency's annual report for the fiscal year ended June 30, 1955, state that "No cattle were repaid by individuals on their loans during the fiscal year just ended, and delinquencies now amount to 177 head, or 72 percent of the outstanding balance of 245 head owed to the tribe.



Note that this is an increase of 118 head from the amount reported delinquent June 30, 1954."

Agency officials agreed that proper records had not been maintained on the cattle lending program, but stated that the credit officer will establish records, check repayments made, and bring the program into a current status.

To assure collection of all outstanding loans and to obtain financial control over such loans, thereby avoiding possible claims against the Government for mismanagement of Indian assets, we recommend that the Area Director take action to see that the records are maintained on a current basis.

36. Full amount of income not shown on recommendations for cancellation of individuals' indebtedness

Certain reimbursable loans at the Colorado River Agency were canceled on the basis of information which did not show the total income of the borrowers.

During the fiscal year 1955 loans totaling \$4,205 were canceled. Loans totaling \$1,172 and involving three borrowers were canceled on the basis of recommendations from the agency superintendent on January 4, 1954, and from the Area Director on January 22, 1954. The agency superintendent's recommendations included statements of annual income which were not in agreement with the agency records, as indicated below:

<u>Borrower</u>	<u>Unpaid balance as of January 4, 1954</u>	<u>Actual income 1953</u>	<u>Income shown on "Recommendation for Cancellation"</u>
Cathaway, Isaac	\$ 515.50	\$ 750.00	Undetermined amount from lease rental
Harrison, George	402.34	14.76	Nominal salary from Santa Fe RR when employed
Sands, Billy	254.88	254.00	\$80.66
	<u>\$1,172.72</u>	<u>\$1,018.76</u>	

While the actual income, as shown above, may not have warranted refusing cancellation of the loans, we nonetheless recommend that action be taken by the Area Director to require agency superintendents to provide all available factual information regarding borrowers whose loans are being considered for cancellation. Only then could BIA Area officials be in a position to properly approve or disapprove loan cancellations.

RENTAL CHARGES FOR GOVERNMENT QUARTERS

37. Rental rates established for Government quarters not adequate

Monthly rental rates, before applying an isolation factor, established at the Papago and the Colorado River Agencies for Government quarters are lower than rates charged for comparable private facilities, and the rentals were recommended by committees of agency employees occupying the quarters at the time the evaluations were made.

Bureau of the Budget Circular A-45 (Revised), dated June 3, 1952, requires that both rents and charges for utilities furnished should be set at levels similar to those prevailing for comparable private housing facilities in the same area. To help insure impartial appraisal of Government-furnished quarters and facilities, the circular provides that in no event should the appraisal be made by residents in the housing under consideration.

Our examination of rental rates for 8 out of 59 Government-furnished housekeeping units listed in the Papago Agency rental survey report dated March 1953 and for 5 out of 29 units, located in the Silver City and Valley School Area, listed in the Colorado River Agency supplementary rental report dated June 1954 disclosed that in all cases the monthly rental rates to Government employees were substantially lower than rentals for comparable non-Government facilities.

The rates used by the Bureau for shelter rent had been reduced by an isolation factor of 80 percent to compensate for the distance of the quarters from larger communities. To the reduced shelter rent had been added provision for furniture rental, utilities, and related services. Estimates of comparable non-Government facility rentals, which include similar provisions, were furnished to us by three real estate brokers in each of the localities (Tucson, Arizona, and Blythe, California) used by the committees in determining the rental rates now in use. A comparison of monthly rates follows.

Unit number	Rent paid (note a)	Rate recommended by BIA	Rates for comparable private facilities (note b)			Differ- ence (note c)
Papago Agency:						
		March 1953	A	B	C	
4	\$ 36.36	\$ 93.54	\$153.25	\$126.25	\$131.25	\$ 32.71
9	31.20	78.28	119.25	111.25	116.25	32.97
11	37.97	100.47	169.25	136.25	151.25	35.78
15	30.09	73.47	119.25	111.25	111.25	37.78
17	23.47	55.13	76.75	101.25	101.25	21.62
19	24.12	62.88	92.75	96.25	101.25	29.87
20	30.76	82.98	119.25	111.25	106.25	23.27
21	32.03	84.25	119.25	111.25	106.25	22.00
Total	\$246.00	\$631.00	\$969.00	\$905.00	\$925.00	\$236.00

Colorado River Agency:						
		June 1954	D	E	F	
47	\$ 33.58	\$ 79.15	\$105.00	\$103.00	\$ 93.50	\$ 14.35
48-2	28.17	64.50	95.00	103.00	93.50	29.00
52-1	27.08	61.55	95.00	103.00	93.50	31.95
81	37.92	91.58	156.00	142.50	131.50	39.92
323	32.50	76.20	115.00	96.00	94.00	17.80
Total	\$159.25	\$372.98	\$566.00	\$547.50	\$506.00	\$133.02

<sup>a</sup>After deduction for isolation

<sup>b</sup>Furnished by independent real estate brokers, coded A, B, C, D, E, and F

<sup>c</sup>Difference between BIA Recommended Rate, before deduction for isolation, and lowest estimate

The Papago Agency Quarters Evaluation Survey was performed by a committee of four BIA employees, all of whom occupied Government quarters during the time the committee was recommending rental rates for the quarters they occupied. At the Colorado River Agency three of the four committee members occupied Government quarters. Such committee participation is contrary to the procedures set forth in volume IV, part III, sections 503.01A and 503.01C, of the Indian Affairs Manual, and would not be expected to lead to an unbiased appraisal.

We were advised by area officials that the recommended rental rates submitted by each agency's Quarters Evaluation Committee were approved by the Phoenix Area Office on the basis of a determination that proper procedures were followed in making the appraisals, and that the rates recommended in individual cases were not reviewed for adequacy of the proposed rentals.

We recommend that the Area Director review the rentals now being charged for quarters under the jurisdiction of the Phoenix Area Office and establish rates that will assure the Government a fair rental for quarters furnished in accordance with provisions of Bureau of the Budget Circular A-45 (Revised).

### 38. Use of Government buildings by Indian tribes not approved

In our report for fiscal year 1954 (item 23, p. 15) we stated that two agencies within the Phoenix Area permitted tribes to use certain Federal property without charge. During our audit for 1955 our examination of the area records indicated that this condition still existed. In 1955 we noted also that the Ute Tribe at the Uintah and Ouray Agency has been using space in Government buildings without paying rental, and that the Area Director's approval for such use had not been obtained.

The Ute Tribe is presently occupying the following space in Government buildings:

Building number	Description	Tribal use
20	Employee's club building	Converted into two apartments occupied by tribal employees
30	Old agency office building	Offices for tribal housing project, fish and game, and recreation divisions
64	Nurses' quarters	Two rooms are occupied by tribal credit officer and clerk
66	Agency office (formerly a hospital)	Tribe occupies rooms or parts of rooms in conjunction with the agency

The tribe is charged no rental for the occupancy of these buildings for which it has assumed the costs of operation and maintenance. Volume IV, part III, sections 507.04 and .05, of the Indian Affairs Manual provides that the Area Director may rent quarters to members or employees of the tribal council, and that he shall draw up a contract with the lessee governing the terms of occupancy.

We were advised by area officials that it is customary for agency personnel to request and receive area office approvals in such cases. No such approvals had been requested or granted in the cited instances.

To provide for proper utilization of Government property, we recommend that the occupancy of Government buildings by non-Government entities be subject to approval by the Area Director and that property not required for Bureau operation be declared excess and properly disposed of in accordance with General Services Administration regulations. Where it is determined that the Bureau may have future use for a building, temporary occupancy by tribal organizations should be covered by an agreement establishing responsibility for operation and maintenance and providing for rentals if the tribe subleases the buildings.

39. Occupancy records for Government quarters not adequate

Inadequate records for Government quarters at the Uintah and Ouray Agency make it extremely difficult to determine whether all rentals have been collected and whether all furniture and equipment have been accounted for.

On October 4, 1955, we examined records of 16 out of the total 30 rental units at the agency. In nine cases receipts from current occupants for furniture and equipment were not on file. In one case no card was on file showing the occupant of the quarters; in eight other cases the occupancy cards did not have current information as to the occupant, period of occupancy, and rental to be charged.

The failure to maintain proper records can result in revenues due the Government not being collected. As an example, the Ute Indian Tribe had failed to pay to the Government for November 1954 the sum of \$24 collected by payroll deduction from two of the tribe's employees who were occupying rental units. When brought to the attention of the agency superintendent on October 3, 1955, a billing was made and the amount due from the tribe was collected on the next day.

To provide assurance that all rental charges due for Government quarters are collected, we recommend that the Area Director require agencies to maintain adequate records, including maintenance of an appropriate collection register.

PROCUREMENT

40. Purchase orders not consolidated

Separate purchase orders have been issued by the Phoenix Area Office to the same vendor on the same day for the same class of supplies purchased for the same activity. This practice unnecessarily increases administrative paper work with a consequent increase in administrative costs.

During the period July 1 through December 31, 1954, the area office issued 1,082 purchase orders. Many of these purchase orders could have been consolidated. For example, we noted 25 purchase orders of less than \$500 each placed with 10 vendors that could have been consolidated because the items were charged to the same activity and were issued on the same day. Typical examples are as follows:

Purchase order	Date	Item	Activity	Amount
Vendor				
American Journal of Nursing:				
450-140	7-22-54	Subscription	Phoenix Area Office	\$ 2.50
450-141	"	"	" " "	12.00
American Hospital Supply Corp.:				
450-159	7-23-54	Medical supplies	Pima Field Office	270.65
450-160	"	"	" " "	475.25
Phoenix Bakery, Inc.:				
450-871	10-26-54	Bread	Pima Field Office	60.69
450-874	"	"	" " "	4.58
450-876	"	"	" " "	40.07
450-879	"	"	" " "	40.08

Area personnel agreed that these purchase orders could have been consolidated.

To avoid unnecessary administrative paper work, to reduce administrative procurement costs, and to obtain the benefits of quantity buying, we recommend that the procurement officer consolidate purchase orders whenever possible.

## FINANCIAL ADMINISTRATION

### 41. Excessively detailed organization chart

The organization charts, functional statements, and position lists at the Phoenix Area Office for 1955 make up a volume of 172 pages, are excessively detailed, and are costly to prepare.

Twenty-one pages contain organization charts for the area office, its subdivisions, and each of the 13 major field locations, as well as a map of the area. Ninety-seven pages are taken up with the listings of individual positions for the entire area. Fifty-four pages cover functional statements for each activity in the area office and at every major field location. Since parallel functions are performed at many of the field locations, these statements are often repetitious.

The annual preparation of organization charts, functional statements, and position lists is required by volume IV, part VI, sections 601 through 606, of the Indian Affairs Manual. The manual states that the objectives of the charts, and their accompanying statements and lists, are to portray reporting relationships, promote effective administration of programs, and aid organization planning, coordination, and public relations.

Four of the 25 sets of charts, lists, and statements prepared are sent to the central office in Washington; the remainder are distributed in the area. Informal discussion with area personnel disclosed that the position lists, which comprise the bulk of the volumes, are not needed by the area since similar information is available in the area's Branches of Budget and Personnel. Area personnel estimated that it required 500 man-hours by officials and employees in the office of the Area Director and the Branches of Budget and Personnel to prepare the organizational record, at a cost of about \$1,100. For fiscal year 1956 these costs should be reduced because unchanged sheets will not be reissued.

We believe that the objectives stated in the manual could be served with equal effectiveness and less expense by revising the manual requirements as follows:

- a. Eliminate the requirement for position lists.
- b. Include in the organization charts summaries by number and grade of all personnel in the area, showing position titles above a stated grade, say about GS-6 or equivalent.
- c. Consolidate functional statements to avoid repetition and issue new statements only when changes occur.

Accordingly we recommend that the Commissioner make a study to determine the actual needs for organization charts, functional

statements, and position lists and revise the manual by requiring only that information which serves a required purpose.

### 42. Construction work-in-progress costs transferred to fixed property accounts at end of fiscal year

Work orders for construction on irrigation projects were closed as of June 30, 1955, at the Phoenix Area Office, and the costs for fiscal year 1955 were transferred to fixed property accounts, although the construction was not complete and completion reports had not been prepared. Preparation of completion reports is provided by volume IV, part II, section 607.10, of the Indian Affairs Manual. Zero balances were shown in the construction work-in-progress accounts. Work orders for the 23 irrigation projects in the Phoenix Area aggregated \$1,612,203 for fiscal year 1955.

Area officials stated that this action was based on instructions issued by the Branch of Budget and Finance in Washington, D.C., on July 8, 1954. These instructions read, in part, as follows:

"\*\*\* For the sake of uniformity and programming, the following is to be used as a guide in clearing capital expenditures through work orders under Construction Work in Progress to the asset accounts. \*\*\* Specific Projects, Buildings and Utilities, upon completion of a work order or structure; \*\*\*. Irrigation Systems and Roads to be cleared at Close of Business June 30."

The closing of construction work-in-progress accounts and the transfer of costs recorded therein to fixed property accounts on a fiscal year basis rather than at completion of construction based on completion reports for specific features or units of work does not disclose the true financial status of construction work in progress and completed works.

We recommend that the Commissioner rescind the instructions of July 8, 1954, and require that the applicable manual instructions be followed so that all construction work-in-progress accounts will be transferred to the appropriate asset accounts on the basis of completion reports. Because some of the construction work, especially on irrigation projects, is of a continuing nature, separate work orders should be issued on specific features or units of construction which will be completed within a reasonable length of time. Appropriate adjustment should also be made as of June 30, 1955, for in-progress construction shown as completed fixed property.

### 43. Costs not posted by class on work orders

Since March 31, 1955, costs incurred under work orders have not been accumulated on the records of the Phoenix Area Office by type of cost, although specified cost components are required

by volume IV, part II, section 607.07A(1), of the Indian Affairs Manual. We were informed by Phoenix Area Office finance personnel that the change was made in accordance with oral instructions from a representative of the Branch of Budget and Finance, Washington, D.C. The manual had not been changed as of the date of our examination, on October 3, 1955.

Volume IV, part II, section 505.01, of the manual states that one of the basic characteristics of the accounting system of the Bureau is the uniform classification of cost accounts for estimating, budgeting, accounting, and reporting; that cost and budget accounts are set up to coincide with the estimates; and that reports from the accounts will be used to compare actual cost with the estimated cost. Although area personnel have stated that they have no use for the cost components provided, we believe that costs by components can be a valuable tool for BIA area officials if properly used.

We recommend that the Commissioner prohibit deviations from the manual on the basis of oral instructions, in order that Bureau officials may be sure that prescribed policies and procedures are being followed until formally changed. We recommend also that a determination be made as to whether a record of cost components is required by Bureau officials. If required, the cited manual provisions should be adhered to; if not, formal change should be made in the manual.

44. More vigorous collection efforts needed  
for accounts receivable

Accounts receivable in the Phoenix Area have not been analyzed and grouped by age as required by volume IV, part II, section 701.02H, of the Indian Affairs Manual.

A summary of accounts receivable recorded in the Phoenix Area Office control accounts for the entire Phoenix Area as of June 30, 1955, is as follows:

General Fund Activities, account No. 1036	\$ 52,235
Irrigation Activities, account No. 136	1,893,697
Trust Fund Activities, account No. 2036	27,989
	<u>\$1,973,921</u>

Because we did not make a detailed examination of the accounts receivable, we did not establish the extent of the delinquency of the accounts.

To determine the extent of delinquent accounts receivable so that a more vigorous collection program may be conducted, we recommend that the Area Finance Officer enforce the requirements of the manual relating to the aging of accounts receivable.

Aggressive action had not been taken to collect long past-due accounts receivable of the Uintah and Ouray Agency, and the accounts had not been analyzed and grouped by age as required by the manual. Our analysis of account 2036.2, Accounts Receivable--Other, Funds Contributed for Indian Project SMO, Uintah and Ouray Agency, at September 30, 1955, disclosed the following uncollected amounts:

<u>Age</u>	<u>Amount</u>
Less than one month	\$ 429
One month to six months	-
Six months to one year	172
Over one year but less than two years	3,574
Over two years old	<u>1,087</u>
Total	<u>\$5,262</u>

In May 1955 the accounting records were sent by the agency to the area office in accordance with area instructions. The Area Finance Officer stated that no collection action had been taken since the records were received by the area office, although he intends to take action in the future. At the agency we were told that collection letters had not been prepared since it was assumed that this would be done by the area office; however, the agency officials stated that independent collection action would be taken.

To prevent losses on account of uncollectible debts, we recommend that the Area Finance Officer coordinate the collection efforts of the area office and the agency so that a concerted effort can be made to collect amounts due.



45. Billing, collecting, and recording functions not segregated

At the Uintah and Ouray Agency the concentration of various accounting functions in one person has resulted in weakening internal control over cash transactions.

The cash accounting clerk (collections) maintains the individual Indian money accounts, receives collections, prepares checks, records receipts and disbursements, prepares schedules of collections, prepares journal entries, and posts such entries to the subsidiary ledger. The salary of this clerk is paid from tribal funds.

In addition, the irrigation clerk prepares billings, collects payments, and maintains the water users' ledger, for irrigation transactions.

The concentration of such duties in each of these individuals does not provide an independent check of the accuracy and integrity of the performance of these functions and could facilitate unauthorized or improper use of cash.

To provide adequate internal control over cash transactions, we recommend that the Area Finance Officer review the existing procedures for handling the individual Indian money accounts and the irrigation accounts and that a system for obtaining greater diversification of responsibility among employees be devised. If personnel shortages prevent diversification of these duties at agencies, periodic checks and reviews by supervisory and area personnel might provide a solution to the problem.

46. Report on obligations contains improper items

Unexpended balances of appropriations in the amount of \$17,865,094 reported under section 1311 of the Supplemental Appropriation Act, 1955 (68 Stat. 830), as of June 30, 1955, submitted by the Phoenix Area Office to the BIA Central Office, included obligations not applicable to fiscal year 1955 totaling at least \$83,750.

The net obligated balance reported as of June 30, 1955, amounted to \$2,752,945, but our tests excluded the accounts payable totaling \$1,028,747 as of June 30, 1955, since we were unable to identify them. The amounts of the accounts payable shown on the area's report under section 1311 were taken from balances in general ledger accounts. Adding machine tapes or other media of recording the specific items comprising accounts payable at June 30, 1955, were not prepared by the Phoenix Area Office. Receiving reports are the basis of transfers from recorded obligations to accounts payable, and at any subsequent date it is not

possible to determine that all recorded payables at that date were supported by receiving reports.

Obligations not applicable to fiscal year 1955, noted in our test, are listed and commented on as follows:

<u>Obligating document</u>	<u>Appropriation</u>	<u>Amount</u>
<u>Number</u> <u>Date</u>	<u>symbol</u>	<u>obligated</u>
MOR 459-188      6-24-55	14X2301	\$75,000
P.O. 460-913      6- 1-55	1452501	8,000
P.O. 451-1417      6-22-55	14X5240	750
		<u>\$83,750</u>

The first item represents a contract awarded by the Phoenix Area Office of the BIA on September 22, 1955, for \$83,060 to the Fisher Contracting Co. It covered the installation of gates and the construction of a sluiceway at the Ashurst-Hayden Diversion Dam on the San Carlos Project. Accordingly, it was not a proper obligation of funds in fiscal year 1955.

Purchase Order 460-913 dated June 1, 1955, was issued to General Services Administration and GSA issued a covering purchase order on July 18, 1955, to the Refrigeration Sales and Maintenance Company in the amount of \$5,626. It covered the installation of a cold storage unit at the Sherman Institute.

Purchase Order 451-1417 dated June 22, 1955, was also issued to General Services Administration which issued a covering purchase order to Peerless Equipment Co. on August 26, 1955, in the amount of \$1,361 for repair parts for a Ruth Dredger.

The Bureau is not required by law or regulation to purchase these two items from or through the General Services Administration. Therefore, obligations of the Bureau for the purchases did not arise until issuance of the related GSA purchase order in the fiscal year 1956. (See B-123621, June 28, 1955.)

In order that applicable provisions of law are complied with, we recommend that the Area Finance Officer record as obligations only those that meet the requirements in section 1311. Furthermore, we believe that a record or listing should be prepared and maintained identifying the accounts payable reported to the central office in compliance with section 1311.

47. General ledger control accounts not in agreement with subsidiary records

In our report for fiscal year 1954 (item 33, p. 21) we pointed out several instances where the aggregate of the subsidiary ledger



records was not in agreement with the balances in the general ledger control accounts. During our audit of records covering fiscal year 1955 transactions, a similar situation was noted, as illustrated below:

<u>Accounts receivable</u>	<u>Date of reconcil- iation</u>	<u>Balance per general ledger account</u>	<u>Balance per subsidiary records</u>	<u>Difference</u>
Colorado River Irrigation Project: Account 136.5, Operation and Maintenance Charges--Indian Land	7-31-55	\$ 34,802	\$ 34,348	\$ 454
Papago Agency: Account 2036.2, Other Receivables	8-31-55	1,213	1,125	88
Uintah Irrigation Project: Account 136.5, Operation and Maintenance Charges--Indian Land	8-31-55	816,016	848,371	-32,355
Account 136.6, Operation and Maintenance Charges--Non-Indian Land	8-31-55	21,116	5,556	15,560
Account 136.7, Other Receivables	8-31-55	1,401	226	1,175

The difference at the Colorado River Project was reconciled after the matter was brought to the attention of Phoenix Area Office personnel.

To provide assurance that amounts due the Government are collected, we recommend that the Area Finance Office take steps to bring these records into agreement and to provide for prompt reconciliation of differences in the future.

48. Medical, dental, and hospital fees not collected

In the report for fiscal year 1954 (item 2, p. 1) we stated that hospital and clinical services were not always billed to the patients. Although the records at the Phoenix Area Office indicated that some effort was being made in fiscal year 1955 to collect for such services, we noted that at the Colorado River and the Uintah and Ouray Agencies payment had not been made in all cases for medical, dental, and hospital services rendered to patients, among whom were Bureau of Indian Affairs employees.

As of June 30, 1955, amounts due the United States at the Colorado River Agency for medical, dental, and hospital services totaled \$2,821. Included among the receivables were at least 13 items involving billings to BIA employees totaling \$99.

Certain employees or members of their families have received medical services without charge at the Uintah and Ouray Agency.

Indians receiving medical services are expected to pay the applicable fees. (See 25 C.F.R. 84.8.) Fees for medical services for Bureau employees must also be charged. (See 25 C.F.R. 84.9.)

To recover costs to the Government for medical services rendered, we recommend that the Area Director take action to have such costs billed and collected from the employees involved.

49. Other miscellaneous and accounting deficiencies

During the audit we noted certain other irregularities and deficiencies, some of which are set forth briefly below. Where the audit finding consisted of other than deviations from provisions of the Indian Affairs Manual, our recommendation is stated after the audit finding.

- a. At the Colorado River Agency permits have been dated after grazing commenced, but no penalties were assessed. The Code of Federal Regulations (25 C.F.R. 71.21) makes the owner of cattle liable to a penalty of \$1 per head for each animal grazing in trespass on restricted Indian lands. The required fees have not been collected for the four grazing permits granted by the Colorado River Agency during the 3-year period ended June 30, 1955, for cattle grazing on the Fort Mohave Reservation, in accordance with 25 C.F.R. 71.23. At the Papago Agency responsibility for collecting fees is left to the district council whose land is being grazed. In our examination of grazing permits involving fees totaling \$107, none of the 75 permitter fees totaling \$27 had been collected; a test of 15 of the permits showed that permittee fees in the total amount of \$3 had not been collected.

To provide assurance that all grazing permit fees due the Government are collected, we recommend that the Area Director require agencies to follow the applicable regulations and that the amounts shown above and all similar amounts due be collected.

- b. Some of the fees collected by the Colorado River Agency from lessees of restricted Indian lands were at rates lower than those prescribed by 25 C.F.R. 171.16. A review of about 300 leases disclosed the following differences:

<u>Lease number</u>	<u>Fee collected</u>	<u>Correct fee</u>	<u>Difference</u>
5304	\$ 2.50	\$ 5.00	\$ 2.50
5377	2.50	5.00	2.50
5586	5.00	7.00	2.00
5605	2.50	6.00	3.50
5724	1.00	2.50	1.50
	<u>\$13.50</u>	<u>\$25.50</u>	<u>\$12.00</u>

To prevent recurrence of similar losses to the Government, we recommend that the Area Director enforce the regulations governing lease fees.

- c. Grazing permit fees totaling \$89, due the United States and collected by the Baboquivari District Council at the Papago Agency during the fiscal year 1955, were incorrectly deposited to the Council's individual Indian money account. Grazing permit fees are charged to cover the approximate cost to the Government of preparing and issuing permits. (See 25 C.F.R. 71.23.) All such fees collected should therefore be deposited as miscellaneous receipts to receipt account 142599, "Fees and other charges for miscellaneous services, not otherwise classified." This matter was brought to the attention of agency officials who have informed us that the necessary action would be taken to deposit the amount to the proper receipt account.
- d. About 200 probate fees totaling over \$4,000 at the Papago Agency were unpaid as of September 23, 1955, and had not been posted to the Phoenix Area Office books of account. Some of the fees have been outstanding for many years.

To keep Bureau officials advised of outstanding receivables, and to provide some assurance that attempts will be made to collect probate fees due the Government, thereby reducing the cost of probate services, we recommend that the Area Director instruct the Area Finance Officer to record all probate fees receivable in the books of account and to take aggressive action to collect all amounts due the Government.

- e. Entries in the general ledger accounts of the Phoenix Area Office have not always shown posting references for property invoices originated at the Uintah and Ouray Agency. Although Bureau Form 5-712, Property Invoice, provides a space for an identifying number, during the 6-month period ended June 30, 1955, we noted that 10 out of the 16 property invoices issued by the agency did not bear numbers. The documents were processed by the Phoenix Area Office property management and finance personnel without correction. This situation was not noted at other agencies within the Phoenix Area.

To reduce the possibility that assets will be omitted from Bureau records and to provide control over source documents, we recommend that documents improperly processed by the agencies either be corrected by the Phoenix Area Finance Officer or returned for correction before processing through the area office's records.

- f. A total of 30 acres of heirship lands are being held in trust by the Colorado River Agency for three non-Indians whose whereabouts have been unknown since 1948. On April 18, 1955, the Area Director requested instructions from the Commissioner as to the administration of allotments in which non-Indians hold unrestricted interests, and suggestions for the disposition of cases where an entire allotment has passed to non-Indian ownership. Reply had not been received as of October 14, 1955.

To avoid expense of administration of such lands, we recommend that the Commissioner's Office provide an answer to the inquiry as soon as possible. We recommend also that the Area Director in the future make a more prompt attempt to determine the appropriate disposition of property when the whereabouts of the heirs are unknown.

- g. During fiscal year 1955 Government quarters, numbered 45 and 47, at the Uintah and Ouray Agency were rented to two tribal employees without the preparation of a lease as required by volume IV, part III, section 507.05, of the Indian Affairs Manual.
- h. Property accountability records for motor vehicles are not maintained on a current basis at the Uintah and Ouray Agency in accordance with volume IV, part III, section 207.05D, of the Indian Affairs Manual.
- i. During fiscal year 1955 an amount of \$640 received at the Colorado River Agency for allowing a fish farm to use water from a project drainage ditch was erroneously reported as income from operation and maintenance assessments on Indian lands and recorded in account 650, Operation and Maintenance Assessments--Indian Lands. Since the water used was excess drainage from other lands and the charge was not an assessment as such, the amount received should have been classified as miscellaneous operating income and credited to account 654, Miscellaneous Income, in accordance with volume IV, part II, section 503.03B(2), of the Indian Affairs Manual.

We recommend that the Area Director take appropriate action to correct the above listed deficiencies.